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AZ CORP COMMISSION  
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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP  
COMMISSIONER

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COMMISSIONER

BRENDA BURNS  
COMMISSIONER

**IN THE MATTER OF THE  
APPLICATION OF UNS  
ELECTRIC, INC. FOR APPROVAL  
OF ITS 2012 RENEWABLE  
ENERGY STANDARD  
IMPLEMENTATION PLAN AND  
DISTRIBUTED ENERGY  
ADMINISTRATIVE PLAN AND  
REQUEST FOR RESET OF  
RENEWABLE ENERGY  
ADJUSTOR**

) **DOCKET NO. E-04204A-11-0267**  
)  
)  
) **SOLARCITY COMMENTS ON UNS 2012**  
) **REST IMPLEMENTATION PLAN**

SolarCity Corporation ("SolarCity"), by its counsel undersigned, hereby offers its preliminary comments on UNS Electric, Inc.'s ("UNS") 2012 Renewable Energy Standard Implementation Plan filed on July 1, 2011.

Respectfully submitted this 12<sup>th</sup> day of August, 2011.

Arizona Corporation Commission

**DOCKETED**

**AUG 12 2011**

DOCKETED BY

Court S. Rich

M. Ryan Hurley

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Attorneys for Applicant SolarCity Corp.

1 Original and 13 copies filed on  
2 this 10<sup>th</sup> day of August, 2011 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, Arizona 85007

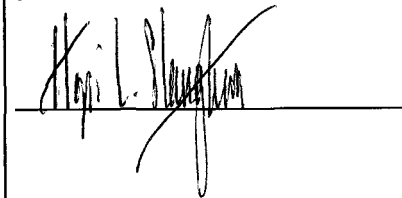
7 *I hereby certify that I have this day served the foregoing documents on all parties of record in  
8 this proceeding by sending a copy via electronic mail to:*

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Gary Pierce, Chairman  
Commissioner Bob Stump  
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Phoenix, Arizona 85007

Re: ***In the matter of the application of UNS Electric, Inc. for approval of its 2012  
Renewable Energy Standard Implementation Plan; Docket No. E-04204A-11-0267***

Dear Chairman Pierce and Commissioners,

SolarCity appreciates the opportunity to comment on the above referenced docket regarding the 2012 RES Implementation Plan filed by UNS. We commend the efforts made by UNS and the Commission to grow Arizona's renewable energy industry. However, as SolarCity is committed to what is in the best interest of our customers, we offer the following brief comments on UNS's proposed plan.

SolarCity is extremely concerned about the proposal within UNS's plan to offer leased systems a significantly lower rebate than that offered to systems purchased by a homeowner. This proposal directly punishes homeowners who choose to employ one type of financing over another.

UNS's plan states:

*UNS Electric has continued to experience success with its UFI and PBI programs under the approved 2011 incentive levels. Thus, for 2012, UNS Electric believes it would be appropriate to continue the same incentive levels. Residential incentives will remain at \$1.60 per watt and small commercial incentives will remain at \$1.50 per watt, with the exception of residential leased systems, which will be offered at \$1.00 per watt.*

No explanation is provided in UNS's implementation plan for this proposal, which would provide a significantly lower incentive to customers who lease their residential PV system from a third party, rather than purchasing the system. This provision unnecessarily threatens affordable customer-sited distributed generation within UNS's service territory and punishes customers based upon the financing decision that they make. The bottom line is that a homeowner should receive the same incentive regardless of how they choose to finance their solar system.

Such a change to UNS's program would serve to discriminate against customers who lease PV systems from a third party. Importantly, the availability of leased solar systems in UNS's service territory equalizes access to solar for those who otherwise cannot afford solar. We believe that the high upfront cost of solar is a formidable barrier to adoption and we have tried to take that barrier away by offering no – or low- upfront cost installations. However, SolarCity's ability to offer homeowners this option depends on utilizing incentives such as utility rebates and the federal investment tax credit.

SSVEC also recently proposed providing leased systems in their territory with a lower rebate (Docket E-0157A-10-308) and this proposal was rejected outright by the Commission. The precedent set, therefore, was that the ACC will not allow utilities to discriminate against homeowners who choose to lease systems from a third party.

It is important to note that leased systems cost the same to install as systems that are purchased outright. Leased residential systems use the same equipment, labor, permits, designs, etc. as systems that are purchased by homeowners. Therefore, the costs to install systems are the same regardless of who owns them.

At the same time, leased systems have the added benefit of being monitored and maintained by the third party owner. SolarCity provides leased systems with operation and maintenance services that include free inverter replacement, and continual remote monitoring that ensures systems are producing at their highest capacity. Systems are also provided with an energy production guarantee. In fact, SolarCity's leased systems tend to outperform comparable purchased systems, thereby providing ratepayers and the utility with more clean energy for their investment.

There is no reason to be concerned about the length of time that a leased solar installation will be on a homeowner's roof as compared with a system that is purchased. When a homeowner installs a purchased system on their house, they are under no obligation to keep it on their roof for any specified length of time. However, when SolarCity installs a system on a homeowner's roof, the homeowner signs a contract that states their intent to leave the system on their roof for 20 years. If the homeowner breaks or defaults on their lease with SolarCity, we will make every effort we can to redeploy the system, at no extra cost to the utility, within the utility's service area. Homeowners who own their own system and who leave their homes or whose homes are foreclosed will be unlikely to make any comparable effort at redeployment or system maintenance and production.

While third-party owned systems also can receive depreciation benefits under federal law, homeowners have a similar financing option: the home equity loan. In fact, the tax benefits in a home equity loan are actually greater than the tax benefits provided by depreciation.<sup>1</sup> Therefore, because all homeowners have access to this benefit, it would be inequitable to penalize customers who lease systems simply because those systems may receive different types of tax benefits.

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<sup>1</sup> Calculations are for a fixed-rate 20-year home equity loan, which is most comparable to the 20-year SolarLease offered by SolarCity, using a system value of \$20,000.

Additionally, UNS's proposal would also interfere with market competition amongst residential solar installers in Arizona. Allowing installers who sell customer-owned systems the ability to market a system that benefits from a larger UNS rebate relative to an equally-sized system that is sold by installers with a leasing model provides a policy-driven, not market-driven, advantage for one segment of the solar industry. We believe that fair competition amongst installers is critical to the long-term efficiency and success of Arizona's growing solar industry.

Finally, it is worth noting that requiring leased solar systems to claim a lower incentive than systems that are purchased would be at odds with every other utility in the state. There is no precedent for this action as all other utilities offer those who choose leased systems the same incentive as homeowners who choose to purchase their system.

We are concerned that UNS has provided no explanation for their proposal to provide significantly lower incentives for customers who lease their residential PV system from a third party, rather than purchasing the system although this provision threatens affordable customer-sited distributed generation within UNS's service territory.

Overall, leased systems provide UNS with superior reliability and production while making solar accessible to the less wealthy. Leased systems should not be penalized compared to systems that are purchased outright. They should be provided at least the same incentive level as purchased systems and, if anything, leased systems should be offered a higher incentive because they provide additional benefits to homeowners, ratepayers and the utility.